

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1757 - SB 2023

March 10, 2011

SUMMARY OF BILL: Authorizes the Department of Labor and Workforce Development to penalize employers who carry workers' compensation insurance but misrepresent payroll, misclassify employees, or conceal pertinent information.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$10,400/Recurring

**Increase State Expenditures – \$3,100/One-Time
\$57,100/Recurring**

Assumptions:

- An increase in the number of requests for investigations conducted by the Department of Labor and Workforce Development (DLWD).
- According to DLWD, 2,120 investigations of employers were conducted in FY09-10, of which 300 (14.15%) were penalized for non-compliance. DLWD estimates a 20 percent increase (424) in investigations.
- An increase of 60 employers (424 x 14.15%) penalized for non-compliance.
- The amount by which the 60 employers underpay due to misclassification and misrepresentation cannot be reasonably determined.
- In FY09-10, DLWD collected \$1,039,000 in penalties. The Department estimates an increase of one percent in penalty collections or \$10,390 (\$1,039,000 x 1.0%).
- DLWD will require one additional Workers' Compensation Specialist to investigate an additional 424 employers each year.
- A one-time increase in state expenditures of \$3,100 for computer, software, and office supplies.
- A recurring increase in state expenditures of \$57,098 (\$35,000 salary + \$13,488 benefits + \$8,610 for travel and supplies).
- Any impact on the workers' compensation premium tax and surcharge will be not significant.
- The state and local governments will comply with state law. No impact on the state Risk Management Fund or local government workers' compensation insurance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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